

**COUNTY OF MILWAUKEE**  
**INTEROFFICE COMMUNICATION**

DATE : April 16, 2020

TO : Supervisor Theodore Lipscomb Sr., Chairman Milwaukee County Board of Supervisors

FROM : Scott B. Manske, Comptroller, Office of the Comptroller  
Joe Lamers, Director, Office of Performance, Strategy and Budget - DAS

SUBJECT : **Report of 2019 Lapsed (Completed/Abandoned) Capital Project/Major Repairs**

**REQUEST**

The Department of Administrative Services (“DAS”) and the Office of the Comptroller (“Comptroller”) are requesting approval of the recommended expenditures and revenues to be lapsed that are associated with capital expenditures (operating 8500 accounting series) and capital projects that have been completed or abandoned in accordance with Section 32.91 of the Milwaukee County General Ordinances (Section 32.91).

Milwaukee County General Ordinances (Section 32.91)

*Every appropriation excepting an appropriation for a capital expenditure, or a major repair (operating 8500 accounting series), shall lapse at the close of the fiscal year to the extent that it has not been expended or encumbered. An appropriation for a capital expenditure or a major repair shall continue in force until the purpose for which it was made has been accomplished or abandoned. The purpose of such appropriation for any capital expenditure or a major repair shall be considered abandoned if three (3) years pass without any expenditure from, or encumbrance of, the appropriation concerned. A final comprehensive annual list of capital projects and major repairs identified as completed and/or recommended to be abandoned shall be submitted to the committee on finance and audit of the county board by the department of administrative services division of fiscal affairs no later than May 1st of each year. The committee shall review this report and submit its recommendations to the county board. Failure of the county board to take action prior to June 1 shall be deemed approval of the department of administrative services recommendations.*

The DAS and the Comptroller are requesting the movement of the lapsed funds to the County’s reserves.

## **BACKGROUND**

The attached resolution seeks approval from the County Board for the following actions:

- Approval to lapse capital expenditures within the 8500 accounting series of department operating budgets (**Schedule A**)
- Approval to lapse completed/abandoned non-airport capital projects (**Schedule B**)
- Approval to lapse completed/abandoned airport capital projects (**Schedule C**)
- Approval to contribute \$3,066,848 of unspent bonds to the Debt Service Reserve (“DSR”) and lapse a cash surplus of \$547,711 to the County’s general fund.
- Approval to make entries from the appropriate airport balance sheet account to replenish the general fund for an airport cash deficit of \$59,706.

The following schedule relates to the automatic lapsing of capital expenditures and major repairs that do not have any expenses or encumbrances **for a period of three years** and are being provided for informational purposes only:

- Lapsing of capital expenditures or major repairs without any expenditure or encumbrance for a period of three years. (**Schedule D**)

The following schedules relate to capital items and related revenues that are being automatically carried over from 2019 to 2020, in accordance with Milwaukee County Ordinances and Wisconsin State Statutes, and are being provided for informational purposes only:

- Carryover of capital expenditures within department operating budgets. (**Schedule E**)
- Carryover of revenues related to operating carryovers/encumbrances (**Schedule F**)
- Carryover of capital improvement projects (**Schedule G**)

For several years, the DAS and the Comptroller has limited operating carryovers (Schedule E) to those that are offset with non-County revenue, those offset with department surpluses and/or for extenuating circumstances. This policy has been continued for 2019.

**REQUESTED LAPSING OF CAPITAL EXPENDITURES/MAJOR REPAIRS****Operating Lapsed Capital Expenditures (Detailed in Schedule A)**

Operating budget capital outlay, equipment and major maintenance appropriations that are recommended to be lapsed within departments total \$1,087,424<sup>1</sup>.

Of the operating capital funds being lapsed, there was \$462,769 of funds lapsed that were requested to be carried over by departments. In accordance with past practice, carryover requests were denied if departments did not have sufficient funding in their overall budget without resulting in a deficit.

**Agency 400 – Office of the Sheriff (+\$462,769)**

The following items were requested by the Office of the Sheriff but not recommended to be carried over:

- Org. 4019 Park Patrol TEU – In Squad Equipment (+\$30,000)
- Org. 4021 Expressway Patrol – In Squad Equipment and Tablets for Squads (+\$140,244)
- Org. 4038 Criminal Justice Facility – Vehicles for K9, Cameras, and Support Equipment (+\$175,000)
- Org. 4077 Training – AV Equipment (+\$73,730)
- Org. 4086 Civil Process – Tablets for Squads (+\$43,795)

**Lapsed Non-Airport Capital Improvement Projects (Detailed in Schedule B)**

The capital improvement appropriations and revenues not recommended for carryover is included in Schedule B. The financial impact of these lapsed projects along with adjustments to continuing projects is a cash surplus of \$547,711 and unspent bonds of \$3,066,848. The cash surplus will be applied to the general fund and the unspent bonds are requested to be allocated to the DSR.

**Projects with Significant Lapsed Cash Surpluses and Deficits**

The total lapsed cash amount from capital projects is \$547,711. The significant (greater than \$100,000) surpluses and deficits are specifically identified on page 4. There were two projects that had significant cash surpluses. No projects had significant cash deficits. These projects included Project WC15001 Coggs Fire System Replacement and Project WC14801 Courthouse Complex Planning – Phase 3.

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<sup>1</sup> The total lapsed appropriations are \$9,478,917; however, the overall amount includes \$8,391,493, which relates to the Countywide Budget Abatement Account.

*Cash Surpluses (Greater Than \$100,000)*WC15001 Coggs Fire System Replacement (+\$152,000)

The 2018 Capital Improvements Budget included an appropriation of \$181,312 to completely replace the existing fire alarm system in the Coggs building. The scope of work was to include the replacement of the existing obsolete systems with an alarm system employing state of the art technology that included the main panel, pull stations, sensor heads, annunciator panel and cables to meet the current building codes.

The project was not designed prior to the 2018 appropriation. Subsequent to the 2018 appropriation, it was determined that the current fire alarm system still had an estimated 7-10 years of useful life remaining. The master control card for the current system was replaced. The project is now closed and the remaining \$152,000 can be lapsed.

Project WC14801 Courthouse Complex Planning – Phase 3 (+\$103,000)

The 2017 Capital Improvements Budget included an appropriation of \$500,000 for Phase III of the Courthouse Complex Planning project. Financing was provided from sales tax revenue. Phase III reviewed swing space options in terms of who has to relocate, for how long, and at what cost to the County in order to vacate the Public Safety Building. Phase III was substantially completed in 2019. The project is now closed and the remaining \$103,000 can be lapsed. Phase IV will seek to determine what is financially feasible, what best practices are for the development of the space, and develop an engagement strategy with the public. The project is now closed and the remaining \$103,000 can be lapsed.

*Cash Deficits (Greater Than \$100,000)*

*No projects meet this definition.*

**Projects with Lapsed Bond Surpluses and Deficits**

Overall a net amount of \$3,066,848 of unspent bonds are requested to be lapsed to the DSR. The projects identified on pages 4-6 make up the primary sources of the unspent bonds that are requested to be lapsed to the DSR.

*Bond Surpluses (Greater Than \$100,000)*WO89001 MCPA Uihlein Stage Lifts (+\$997,000)

The 2018 Capital Improvements Budget included an appropriation of \$1,882,526 for the replacement of the Marcus Center for the Performing Arts (“MCPA”) Uihlein Hall Stage Lifts. The scope of the project included replacement of the lifting mechanism, motorization package, structural platforms, skirts, guides, electrical control, ADA and safety updates. The project was substantially completed in July 2019. The project came in substantially under budget and surplus bonds are requested to be allocated to the DSR.

WT10401 Bus Replacement Program – 2018 (+\$558,000)

The 2018 Capital Improvements Budget included an appropriation of \$13,500,000 for the replacement of Milwaukee County Transit System (“MCTS”) buses that were originally purchased in 2003 and 2004. The buses cost less than anticipated and more outside revenues were available than anticipated. The replacement buses were delivered in May and June 2019. Surplus bonds of approximately \$558,000 are requested to be allocated to the DSR.

WH02019 N. Teutonia – Good Hope Rd. to Bradley Rd. (+\$429,000)

The 2018 Capital Improvements Budget included an appropriation of \$4,408,000 for the construction phase of Project WH02019 N. Teutonia – W. Good Hope Rd. to W. Bradley Rd. The 2018 appropriation was financed by \$2,950,000 in 2018D Bonds, \$1,349,000 in County Highway Improvement Program (“CHIP”) funding, and a municipal contribution of \$109,000. The scope of work for the project included the reconditioning of N. Teutonia Ave with hot mix asphalt pavement, including other minor drainage and safety improvements. In addition, the intersection of N. Teutonia Ave. & W. Bradley Rd. was converted from a signalized intersection to a roundabout. The work on the project is complete and the project can be closed. The surplus 2018D Bonds are requested to be allocated to the DSR.

WC12901 Safety Building Fire Pump and Controls (+\$197,000)

The 2017 Capital Improvements Budget included an appropriation of \$361,000 to replace the two existing fire pumps and controllers servicing the Safety Building. The substantial surplus was driven in part by costs associated with modifications to the electrical feeder were avoided. The modifications to the electrical feeder were done as part of Project WC05901 Safety Building Electrical Feeder. The project was substantially completed in July of 2019. Surplus bonds of approximately \$197,000 are requested to be lapsed to the DSR.

WH00119 CTH U & CTH BB Intersection (2216-00-02) (+\$235,000)

The 2014 Adopted Capital Improvement Budget included an appropriation of \$106,181, including \$700 in net capitalized interest, for the design phase of the Intersection of S. 76th St. (CTH U) and W. Rawson Ave. (CTH BB) project (“S. 76<sup>th</sup> St & W. Rawson Ave. Intersection Project”) in the Highway Safety Improvement Program (HSIP). Financing was provided from \$94,933 in Federal revenue and \$11,248 in general obligation bonds.

The 2017 Capital Improvement Budget included an appropriation of \$959,730 for the construction phase of the S. 76<sup>th</sup> St & W. Rawson Ave. Intersection Project. Financing was provided from \$452,389 in Federal revenue and \$507,341 in general obligation bonds. The scope of work included offsetting the left turn lanes and installing overhead, per lane signal indications (monotubes) at the intersection, improving visibility and traffic signal progression/flow. Median openings and driveways were evaluated for improvement in access control. Pavement marking and signage were improved near the intersections to better direct drivers to their destination and therefore reduce side swipe crashes.

The project was substantially completed in June 2018 and is in the process of being closed out. Surplus bonds of approximately \$235,000 are being lapsed and are requested to be allocated to the DSR.

WO17501 Fleet Central Garage Roof Replacement (+\$147,000)

The 2018 Capital Improvements Budget included an appropriation of \$2,838,064 for the replacement of two of the five sections of the roof at the Fleet Central Garage. It was anticipated that a 2019 appropriation of \$3,311,414 would be requested to finance the replacement of the remaining three sections of the roof.

Although the original plan was to use a phased construction schedule, it was later determined that it would be more cost effective to bid out the entire roof under one construction contract with replacement of all five roof sections. The base bid covered one half of the work. The other half was bid as an alternate bid. Bids were opened on April 25, 2018. The bids came in lower than anticipated. The low responsible bid was \$1,500,411 for the base bid and an additional \$1,560,362 for the alternate bid. Total construction contract amount for the entire roof would be \$3,060,773. The 2018 Budget appropriation was combined with an additional 2018 appropriation of \$500,000 financed by unspent bonds so that the work for the entire roof could be awarded and completed without a 2019 appropriation. The project is substantially complete and surplus funds of approximately \$147,000 are requested to be allocated to the DSR.

*Bond Deficits (Greater Than \$100,000)*

*No projects meets this definition*

**Reallocation of Unspent Bond Proceeds**

There is \$3,066,848 of bonds being requested to be lapsed to the DSR. Some bonds may be allocated to capital projects. Capital projects receiving the unspent bonds must be able to spend the proceeds in a timely fashion. In most cases, this would mean that only ongoing projects with shortfalls would be considered. Other factors such as capitalization and private activity also limit which projects are considered.

The Internal Revenue Service regulations dictate the expenditure of bond proceeds within three years. Bonds that were issued prior to 2018 will be out of compliance before the end of the year. It is anticipated that bonds issued prior to 2018 will be used to pay interest costs associated with outstanding debt.

The Office of the Comptroller will work with the Department of Administrative Services and other departments to identify projects that would meet the criteria above. A final list will be submitted to the County Executive and County Board for approval.

**Lapsed Airport Capital Improvement Projects (Detailed in Schedule C)**

The Airport capital improvement appropriations and revenues not recommended for carryover are included in Schedule C. The total amount of lapsed expenditure appropriations is \$3,163,650 and the total amount of lapsed revenues is \$3,223,354.

The total lapsed amounts were primarily driven by a large surplus (approximately \$2 million) in Project WA22001 GMIA – Connector Taxiway Modifications. The 2017 Capital Improvements Budget included an appropriation of \$3,162,000 for the design, reconstruction and reconfiguration of several taxiways at General Mitchell International Airport. Financing was provided from Airport Improvement Program Funding, State Funding, and Passenger Facility Charge (Cash). The entire scope of the project was completed; however, bids came in much lower than anticipated.

The financial impact of these lapsed projects along with adjustments to continuing projects results in the Airport providing a contribution of \$59,706 from its reserve to replenish the general fund. The contribution will reconcile a deficit of \$59,706 for cash financed projects.

*Bond Surplus/Deficits (Greater Than \$100,000)*

*No projects meet this definition.*

*Cash Surplus/Deficits (Greater Than \$100,000)*

*No projects meet this definition*

**INFORMATIONAL SCHEDULES RELATING TO CARRYOVERS****Capital Projects/Major Repairs Being Abandoned After Three Years without Spending or Encumbrance (Detailed in Schedule D)**

*No projects meet this definition.*

**Operating Carryovers (Detailed in Schedule E and Schedule F)**

Operating budget capital outlay, equipment and major maintenance appropriations being carried over from 2019 to 2020 total \$2,321,512 (Schedule E).

Revenues being carried over relating to Capital Outlays and Encumbrances total \$11,526,522 (Schedule F). The total non-airport related revenues being carried over total \$4,932,191.

**Capital Carryovers (Detailed in Schedule G)**

Schedule G is included to summarize capital expenditures and revenues being carried over to 2020. Capital project fund expenditure appropriation carryovers from 2019 to 2020 total \$104,739,650 for corporate purpose projects. Associated revenues to be carried over total \$98,905,591. This compares to appropriation carryovers of \$78,256,607 and revenue carryovers of \$75,322,262 for 2018 to 2019.

Airport capital improvement expenditure and revenue carryovers from 2019 to 2020 total \$49,386,566 and \$68,220,400, respectively. Revenues exceed expenditure carryovers due primarily to the carryover of revenues associated with expenditures already encumbered. This compares to carryovers of \$40,947,970 in expenditures and \$46,160,828 in revenues for the Airport from 2018 to 2019.

**Recommendation**

The DAS and the Comptroller recommend the lapsing of operating budget capital outlay, equipment and major maintenance appropriations that total \$1,087,424<sup>2</sup>.

It is also recommended to lapse \$4,382,169 of expenditure authority and \$767,616 of revenue budget for non-airport projects. The resulting cash surplus of \$547,711 will be applied to the general fund and the \$3,066,848 in unspent bond proceeds will be deposited to the Debt Service Reserve.

Finally, it is recommended to lapse \$3,163,650 of expenditure authority and \$3,223,354 of revenue budget for airport projects. The resulting cash deficit of \$59,706 will be contributed to the County to replenish the general fund.

Scott B. Manske  
Comptroller  
Office of the Comptroller

Joe Lamers  
Director  
Performance, Strategy and Budget - DAS

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Attachments

pc: Chris Abele, County Executive  
Luigi Schmitt, Chairman, Committee on Finance and Audit  
Supervisor Willie Johnson, Jr., Vice-Chairman, Committee on Finance and Audit  
Joe Lamers, Director, Office of Performance, Strategy and Budget  
Guy Smith, Director, Parks  
Greg High, Director, DAS-A&E  
Lynn Fyhrlund, CIO, DAS-IMSD  
Donna Brown-Martin, Director- MCDOT  
Raisa Koltun, Chief of Staff, County Executive's Office  
Kelly Bablitch, Chief of Staff, County Board  
Pamela Bryant, Office of the Comptroller  
Justin Rodriguez, Office of the Comptroller  
Stephen Cady, Office of the Comptroller